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Proposed programme budget for the biennium 2004-2005

Additional expenditures deriving from inflation and currency fluctuations

Report of the Secretary-General*

Summary

The present report has been prepared in compliance with General Assembly decision 57/576, by which the Assembly took note of the report of the Secretary-General on additional expenditures deriving from inflation and currency fluctuations (A/57/471), decided to continue consideration of the question at the main part of its fifty-eighth session and requested the Secretary-General to submit a report providing a comparative analysis of the practice followed by other international organizations in that regard. From the analysis of updated information compiled by the United Nations System Chief Executives Board for Coordination, a range of measures continue to be used by international organizations within the United Nations system. However, the various methods in use, split assessments, forward purchasing and reserves, all have associated costs which discourage a shift from the approach currently in use in the United Nations.

* The present report is submitted late owing to the need to finalize the review and analysis of comparative data compiled for the United Nations common system organizations.

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I. Introduction

1. By its decision 57/576, the General Assembly took note of the report of the Secretary-General on additional expenditures deriving from inflation and currency fluctuations (A/57/471) and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/57/7/Add.14, sect. IV), and decided to continue consideration of the question at the main part of its fifty-eighth session. In that regard, the Assembly requested the Secretary-General to submit a report providing a comparative analysis of the practice followed by other international organizations for consideration at its fifty-eighth session. The present report provides the requested information based on relevant tables of the recently updated study of the United Nations System Chief Executives Board for Coordination (CEB) on budgeting in organizations of the United Nations system.

II. Comparative analysis

2. The annex to the present document provides detailed tabular information on the arrangements in use by United Nations system organizations to deal with currency fluctuations and inflation, as well as related reserves and working capital and other funds.

3. The review of table 1 of the annex shows that two organizations, the United Nations Educational, Scientific and Cultural Organization and the International Atomic Energy Agency, use "split assessments" as a means of dealing with currency fluctuations. Split assessments are essentially the collection of contributions in more than one currency so as to have cash on hand in required currencies to meet planned expenditures.

4. Another method, "forward purchasing", is utilized by four organizations, namely, the International Labour Organization, the International Civil Aviation Organization, the International Telecommunication Union and the Food and Agriculture Organization of the United Nations (FAO). Forward purchasing involves entering into contracts with banks for the delivery at a future date of a specific amount of one currency that will be paid for on the future date with another currency at an exchange rate fixed within the contract. In addition to forward purchasing, FAO also uses a special reserve to finance, inter alia, extra costs owing to movements of exchange rates up to 5 per cent of budget.

5. Another four organizations depend primarily on reserves in dealing with currency fluctuations, namely, the Universal Postal Union, the International Maritime Organization, the United Nations Industrial Development Organization and the World Health Organization (WHO). In the case of WHO, the reserve takes the form of an amount for currency protection which is included in the budget; however, the information compiled by CEB also indicated the possible use of hedging contracts for forward purchasing by WHO. More information can be found in the annex on reserve accounts and funds (table 3) and working capital funds (table 4), as well as on the treatment of inflation (table 2).

6. One organization, the World Meteorological Organization, absorbs exchange rates changes within budgeted expenditure levels. The budget is Swiss franc-based, with approximately 90 per cent of expenditure estimated to occur in that currency.

7. The various arrangements outlined above and the related advantages and disadvantages have been previously reported in detail to the General Assembly. The information contained in the annex reflects an update by CEB to much of the information previously reported by the Joint Inspection Unit in document A/45/130. Similarly, the Advisory Committee on Administrative and Budgetary Questions had also examined those issues in its report to the General Assembly at the Assembly's forty-third session (A/43/929). The Advisory Committee reviewed the practices of specialized agencies in that respect and outlined the variety of methods that were in use, and further pointed out various disadvantages to those methods, which are summarized below.

- *Split assessments*. Split assessments, requiring part of the assessments to be paid in currencies other than the United States dollar, while mitigating losses in times of a falling United States dollar, would work the other way in times of a strengthening dollar. Furthermore, the practical difficulties associated with mixed currency assessments include, in the absence of large cash reserves, cash flow problems, such as not receiving currencies in the right mix for current cash needs

- *Forward purchasing*. While locking in a fixed rate of exchange would save money in times of a falling dollar, it would lose money in times of a rising dollar

- *Reserve accounts*. Funds sitting in a United Nations reserve account pending possible future use would therefore not be available for use by Member States.

8. The comparative analysis of the practices of United Nations system organizations shows a range of methods in place in an effort to deal with inflationary and currency pressures. It is clear that the various methods currently in use by those organizations present mechanisms available for budgeting for potential costs of that nature at the outset of a biennium. However, the unavoidable costs of setting such mechanisms in place would be the inability to realize savings in times of a strengthening United States dollar, or in the case of a reserve, presenting Member States with the financial burden of advance assessments which might prove to be unnecessary. The potential for overall absorption of such costs has been detailed in document A/57/471 and has been proven to be an alternative which cannot be practically implemented.

9. Given the unavoidable costs for mitigating the effects of inflation and currency fluctuation and faced with the situation, the General Assembly may wish to consider the continuation of the current system, whereby the estimate of requirements is adjusted periodically on the basis of the latest forecast by the Secretary-General of inflation and exchange rates.

III. Recommendation

10. **The General Assembly may wish to take note of the present report.**

Annex

Table 1
Currency fluctuations

Organizations	*Proportion of expenditure in currencies*	*Reserve for currency fluctuation*	*Application of exchange rate to the budgetary currency*	*Forecasting of exchange rates*	*Handling of exchange losses and gains*
United Nations	US$ = 60% SwF = 20% € = 4% Other = 16% Proportion fluctuates in relation to movements of the United States dollar.	No	Exchange rates are first proposed by the Secretary-General in the proposed programme budget for the next biennium, based on the rates applicable in the revised appropriation for the current biennium. Exchange rates are first approved by the General Assembly in the initial appropriation for the programme budget, based on the rates approved for the second budget performance report of the current biennium. Those rates are brought up-to-date in the context of annual performance reports so as to reflect the experience in the current year and to revise projections for the ensuing year(s).	United Nations operational rates of exchange are used to generate current year averages. Future year projections can be either the current year average operational rates of exchange or the latest operational rates of exchange, whichever allows the lowest estimates.	Currency fluctuations are normally covered by *supplementary estimates* in performance reports, which are approved by the General Assembly revising the appropriation.
ILO	SwF = 60-65% US$ = 30-35% Other = up to 10% Proportion fluctuates in relation to movements of the United States dollar.	No specific reserve.	The rate of exchange between the SwF and US$, as used in the Director-General's programme and budget proposals, is the rate applicable to the previous biennium. The final budget rate of exchange is not decided until the programme and budget is reviewed by the Finance Committee of Government Representatives at the Conference in June. It is then set at the average rate of exchange obtained for the forward purchase of the biennial dollar component and the programme and budget is revalued accordingly.	No forecast is made.	At its seventy-sixth session (June 1989), the Conference decided to introduce a new system of Swiss franc assessments combined with forward purchasing of the biennial dollar requirements. Under this system, gains and losses that result when actual exchange rates vary in relation to the budget rate of exchange will be recorded under an *Exchange Equalization Account*. Any residual gain or loss on exchange from the operation of the system is added to or deducted from any net premium earned or payable on forward purchasing transactions. The adjusted net premium earned is distributed half to the incentive fund and half to member States. The adjusted net premium payable is charged to the Income Adjustment Account.

Organi-zations	*Proportion of expenditure in currencies*	*Reserve for currency fluctuation*	*Application of exchange rate to the budgetary currency*	*Forecasting of exchange rates*	*Handling of exchange losses and gains*
FAO	US$ = 32% € = 39% Other = 29%	*Special Reserve Account* could be used, inter alia, to finance extra costs owing to movements of exchange rates up to 5% of the budget. Moreover, savings on staff costs arising from favourable differences between the euro exchange rates, at which the budget was approved, and the effective United Nations rate should be credited to this account (see also table 3).	The budget proposals are prepared at the same dollar/euro exchange rate at which the preceding biennial budget was approved. This is to ensure comparability between the previous approved and the proposed budget. The Conference decides on the exchange rate to be adopted for the budget. In the past this rate has usually been the one prevailing on the day of the budget's approval. However, for 2002-2003 the forward contract rate of the contract for forward-purchase of euro requirements prior to budget approval was used.	No prediction is made on euro rates of exchange. Contracts for forward purchase of euros have been made to cover estimated requirements for the biennium.	Following Conference resolution 17/89, all gains and losses on exchange transactions are debited/credited to the Special Reserve Account.
UNESCO	€ = 56% US$ and other = 44%	No specific reserve.	For the purpose of comparability the budget is established at a notional constant dollar rate of exchange of US$1 to €0.869.	None.	UNESCO protects itself against currency fluctuation by a split-level assessment system, whereby contributions are assessed in the two main currencies of expenditure, namely € and US$, in proportion to foreseen requirements. A separate currency clearing account is maintained to record differences on exchange between the constant rate of exchange and the operational rates of exchange applicable to income and expenditure, the balance on which is added to or deducted from the amount available under the incentive manner.
ICAO	US$ = 28% Can$ = 3% € = 4.7% Other = 14.3% Professional net remuneration is assumed to be denominated principally in local currencies.	No specific reserve.	The final draft budget submitted to the Assembly is based on the exchange rates applicable at the time.	No.	There is no specific provision in the budget for adverse currency fluctuations. The organization has currency entered into forward purchase contracts immediately after the approval of the budget by the Assembly in order to protect the budget from currency fluctuations. These forward currency purchase contracts cover most of the exposure of the budget to currencies.

Organizations	*Proportion of expenditure in currencies*	*Reserve for currency fluctuation*	*Application of exchange rate to the budgetary currency*	*Forecasting of exchange rates*	*Handling of exchange losses and gains*
WHO	SwF = 25% US$ = 65% Other =10%	An amount for currency protection is included in the budget.	The budgeting rate of exchange between the SwF and Regional Office currencies, being DKr, LE, €, Rs, ₱ and US$, is set by taking the United Nations operational rate of exchange at the time of the budget review by the World Health Assembly.	No.	Gains and losses arising on the monthly transactions, as a result of differences between the monthly United Nations rate of exchange and the actual rate, are recorded in Miscellaneous Income. Gains and losses arising on hedging contracts, undertaken to protect the budget rates of exchange (currently SwF and DKr only), are recorded against the expenditure lines giving rise to the currency exposure.
UPU	SwF = 96% US$ = 3% Other = 1% (SwF-based budget)	The Reserve Fund serves, inter alia, to cover these effects.	For the preparation of budget, the United Nations rate of January is applied. However, for the purchasing of currencies, the bank rate of each month is used.	No.	Exchange losses and gains are covered by the Reserve Fund.
ITU	SwF = 80% US$ = 20% (SwF-based budget)	No.	United Nations official rate on 1 January of the year preceding the first year of the biennium. However, the rate of exchange used in the budget is a decision of Council, which may choose the United Nations official rate of the month in which the budget is approved or of an earlier month.	No forecasts are made.	US$ requirements are purchased forward in order to maintain the purchasing power of the SwF and thus ensure the complete implementation of the activity programme foreseen for the budgetary period. The Council is authorized to develop and implement an accounting procedure by which ITU would keep its financial transactions at the prevailing budget rate. Exchange losses and gains are debited/credited to the Reserve Account.
WMO	SwF = 90% US$ = the balance Other (some) (SwF-based budget)	No.	On the basis of the official United Nations rate of exchange in effect on the date of preparation. This will be updated to reflect the official United Nations rate in effect at the time the budget is adopted.	No.	Exchange rate changes are absorbed within the budget expenditure.
IMO	£ = over 85% US$ = the balance (£-based budget)	The *Exchange Reserve Fund* (ERF) was established by the IMO Assembly in order to meet additional expenditure resulting from exchange rate movements. With effect from 1 January 1988, IMO switched to a sterling budget and ERF was merged into the Working Capital Fund to reflect the reduced exposure to exchange rate fluctuations.	The United Nations operational rate of exchange between the £ and the US$ prevailing in the month of the submission of the proposals (usually February-March of the year before the budget period). The rate of exchange actually used in the final approved budget is determined by the IMO Assembly at its session in the November preceding the biennium. The Assembly in recent years has also given authority to the IMO Council to amend the rate of exchange used in respect of the budget for the second year of the biennium in light of circumstances prevailing at the Council's autumn session in the first year of the biennium.	No forecast is made.	In addition to ERF, the Assembly has authorized the Council to make any necessary recalculation of the biennium, in the light of, in particular, exchange rate movement during the first year. All exchange rate gains contribute to the cash surplus, which is then distributed in accordance with the decisions of the Assembly, based on the recommendations of the Secretary-General.

Organizations	*Proportion of expenditure in currencies*	*Reserve for currency fluctuation*	*Application of exchange rate to the budgetary currency*	*Forecasting of exchange rates*	*Handling of exchange losses and gains*
WIPO		No.	The United Nations rate of exchange at the time of preparing the budget is used (usually January or February). This rate will not be updated.	No forecast of future exchange rate.	At the end of the budgetary period, any exchange rate losses or gains are included in the accounts as other operating expenses or as miscellaneous income.
UNIDO	€ = 82% Other = 18% (mostly US$, approximately)	Yes, as of 1 January 2002.	The US$ requirements for the preparation of the programme and budgets 2002-2003 were converted using the January-December 2000 average United Nations $/€ exchange rate.	No forecast is made.	Exchange gains and losses are expected to be covered from the reserve, details of which still need to be worked out, as this is the first year of operation under the euro.
IAEA	About 18% is dollar-related; about 82% € and €-related.	No, not needed.	In IAEA budget documents, financial plans and accounts, US$ presentation and "split system" of assessments and appropriations. A standard rate of exchange is applied in budget formulation for split. The average United Nations exchange rate experienced during the year is applied to the euro portion of the appropriation. In the accounts, the United Nations operational rate of exchange is applied.	No.	The IAEA budget is effectively protected against currency fluctuation by the "*split appropriation and assessment*" system. Taking into consideration that IAEA incurs a large portion of its expenditure in euros, the system was devised to ensure that member States' contributions provide the necessary purchasing power in local currency to ensure that the approval programme can be implemented smoothly, without disruption owing to currency fluctuations.

Table 2
Inflation

Organi-zations	*Inflationary increases (decreases)* *(a) Forecasting* *(b) Adjustments* *(c) Inflation reserve*
United Nations	(a) Historical information is obtained from official statistics on inflation; (b) Adjustment is made annually for the performance report. Provisions are allowed in the budget and revised on a rolling basis at each of the following stages: - Initial appropriation - Revised appropriation - Final appropriation; (c) No reserve (see table 3).
ILO	(a) ILO follows the projection and estimates agreed at the inter-agency meeting of Geneva-based organizations. If new data subsequently becomes available prior to the finalizing of the ILO programme and budget, it may depart from the inter-agency findings. For expenditure outside Geneva, it makes its own estimates based on previous experience and current trends; (b) No annual revision of budget for inflation. Subject to the prior approval of the Governing Body, the Working Capital Fund may be used to cover, inter alia, inflation in excess of the level provided for in the budget (although it has not been used for this purpose since 1981); (c) No specific reserve.
FAO	(a) A wide variety of indices are used relating to the many cost items (e.g. adjustment and wage indices, price trends, etc.) including from private sector forecasting services; (b) No adjustment to the budget level. However, in theory, the Working Capital Fund could be used to meet some unbudgeted cost increases by providing "reimbursable loans in specific cases" (see table 4); (c) *Special Reserve Account* provides a small amount of protection (up to 5% of the budget) to be used with Council approval against adverse movements in both currency and inflation. If unbudgeted cost increases exceed 5% of the budget, the additional amount will have to be absorbed (see table 3).
UNESCO	(a) Estimates for inflation on the proposed budget for the ensuing biennium are based on price increases that have already occurred and are very likely to occur on individual objects of expenditure during the current budget period based on information and data available at the time the programme and budget document is elaborated. The official inflation index of the host country and other available economic indicators are extensively used to ensure that the cost increases established are realistic and reasonable; (b) The unbudgeted cost increases are normally absorbed during executions; (c) Inflationary cost increases anticipated for the new biennium are not incorporated into the individual appropriation line in the proposed programme and budget, but included in Part IV: Anticipated Cost Increases of the budget for later distribution to appropriation lines after approval by the Executive Board.
ICAO	(a) Information is obtained from official statistics. As for expenditure denominated in Can$, the projections for the Canadian Consumer Price Index (CPI) are provided by several major Canadian banks and consulting firms. Initially, these projections are studied by the Finance Committee during the preparation phase of the budget. The projections are given a final review during the Assembly by the Budget Working Group; (b) No specific reserve is established for inflation. Where additional funding is required, a supplementary budget is the only recourse.
WHO	(a) See ICAO; (b) Unbudgeted cost increases are normally absorbed; (c) No specific reserve.

Organizations	*Inflationary increases (decreases)* *(a) Forecasting* *(b) Adjustments* *(c) Inflation reserve*
UPU	(a) Consultative Committee on Administrative Questions projections for inflation rates in Switzerland are used for forecasting; (b) Costs increases related to adjustments to budgeted staff expenditure made by the United Nations common system are covered by the Reserve Fund; (c) No specific reserve.
ITU	(a) Cost increase forecasts by the United Nations organizations in Geneva are used; (b) Unbudgeted inflationary increases are absorbed during execution; (c) No specific reserve.
WMO	(a) Official inflation statistics for the Canton of Geneva are used for historical price level increases and Consultative Committee on Administrative Questions projections are used to project forward to the end of the budget period; (b) A flexibility clause exists for mandatory staff cost increases which may exceed full budget estimates; however, as a practical matter, unbudgeted cost increases are usually absorbed according to the wishes of the Executive Council and Congress; (c) No specific reserve.
IMO	(a) Budgetary assumptions for inflationary increases over the biennium are based on the statistical economic reports produced by the commercial banks, the Bank of England and the United Kingdom Treasury Department. A number of indices are taken into account to estimate inflation. London post adjustment and General Service salary increases are, for example, based on forecast changes in the United Kingdom Retail Price Index (UKRPI) and the United Kingdom Average Earnings Index (UKAEI); (b) Adjustment for inflation is made year-on-year; (c) No specific reserves.
WIPO	(a) Cost increase forecasts by the United Nations organizations in Geneva (Consultative Committee on Administrative Questions) are used. Projected cost decreases are based on past experience. The Consultative Committee on Administrative Questions forecasts are applied to current posts. The budget document shows programme variations and cost variations separately; (c) No specific reserve.
UNIDO	(a) The inflation rate for individual objects of expenditure (utilities, operating costs, supplies, etc.) is derived from (i) the most recent consumer price and wage index level forecasts in Austria; (ii) expected statutory changes in salaries and common staff costs; and (iii) information obtained from other United Nations organizations providing services to UNIDO in the Vienna International Centre complex.
IAEA	(a) Forecasting is done only for salaries. For other costs, actual price increases of the preceding year are added to the estimates that are based on price levels of the last approved budget; (b) During the budget year, any unforeseen inflation or other cost increases have to be absorbed; (c) There is no inflation reserve (increases exceeding the estimates must be absorbed).

Table 3
Reserves account and funds

Organizations	*Title*	*Source of funding*	*Purposes*	*Size/amount*	*Notes*
United Nations	Special Accounts	Voluntary contributions from Member States.	To clear up the past financial difficulties and, especially, to resolve the short-term deficit of the Organization.	US$ 194.9 million as at 31 December 2001.	Established by General Assembly resolutions 2053 A (XX) and 3049 A (XXVII).
ILO					*Unforeseen Expenditure (Major Programme 295 Unforeseen Expenditure)* is provided (in the amount of US$ 875,000 for the 1998-1999 period) to finance expenses which may arise: (a) When, as a result of Governing Body decisions taken after the adoption of the budget, or for any other reason, an approved budget credit is no longer sufficient for the purpose envisaged; or (b) When the Governing Body approves an item of work or an activity for which no provision has been made in the budget. (In accordance with Financial Regulation 15, no part of the resources provided under this item may be used for any other purpose, without the specific prior authorization of the Governing Body.) In exceptional circumstances and subject to prior authorization of the Governing Body, the Working Capital Fund covers the provision of advances to meet contingencies and emergencies (see table 4).

Organizations	*Title*	*Source of funding*	*Purposes*	*Size/amount*	*Notes*
FAO	Special Reserve Account	Composed of: - Savings on staff costs arising from favourable differences between the euro exchange rate used in calculating the budget and the effective United Nations rate; - Any balance of funds remaining in the Special Reserve Account at the end of a biennium up to an amount equivalent to 5% of the total working budget for the subsequent biennium; - Such portion of the cash surplus in the general fund as is required to bring the level of the Special Reserve Account as indicated above; - Sums received in payment of contributions; - In the event that the Special Reserve Account, replenished in accordance with the foregoing, should not attain the required level, such other measures as may be approved by the Conference.	(a) Whenever the Working Capital Fund is insufficient to finance budgetary expenditure pending receipt of contributions from member States to the budget; (b) To finance unbudgeted extra costs owing to adverse movements of currency exchange rates compared to budget rate of exchange (i.e. extra staff costs that are affected by movements of currency exchange rates); (c) Subject to prior review and approval by the Programme and Finance Committees, to finance unbudgeted extra costs of approved programmes owing to unforeseen inflationary trends, to the extent that such costs cannot be met through budgetary savings without impairing the implementation of such programmes.	Up to an amount equivalent to 5% of total effective working budget of the relevant biennium.	Established in 1977 (Conference resolution 27/77), revised in 1981 (resolution 13/81) and in 1989 (resolution 17/89). Replenished by assessments through resolution 16/91. All gains/losses on exchange transactions for the Regular Programme are credited/charged to this fund.
UNESCO	-	-	-	-	UNESCO does not operate reserve accounts for meeting unbudgeted expenditure contingencies or emergencies. Such accounts may be established by the Director-General and if so shall be reported to the Executive Board. Part IV of the regular budget provides for anticipated cost increases required for meeting increases arising from inflation and statutory factors in staff costs and in the cost of goods and services foreseen in Parts I-III of the budget.
ICAO	Information and Communication Technology Fund	Made up of: (a) Unobligated appropriations as at 31 December 2001; (b) Interest in excess of the budgeted amount.	To modernize the financial systems, enhance ICAO web sites and consolidate file servers.	US$ 3.5 million.	Established by Assembly resolution A33-24.

Organizations	*Title*	*Source of funding*	*Purposes*	*Size/amount*	*Notes*
WHO	Security Fund	Regular budget and extrabudgetary	To cover security costs.	US$ 6 million for 2002-2003.	Financial Regulation 9.3.
	Real Estate Fund	Regular budget and miscellaneous income and extrabudgetary funds.	Acquisition of land and construction of buildings or building extensions as well as major repairs of and alterations to existing buildings.	Varies, based on five-year plan.	Regular budget funding approved by Governing Bodies.
	Revolving Sales Fund	Proceeds of sales.	Financing the cost of printing and reproducing additional copies of WHO publications for sale and of production of other items for sale and of associated costs.	Varies, depending on sales.	At the end of the financial period, surpluses are transferred to miscellaneous income.
UPU	Reserve Fund	Made up of: (a) Budgetary credits cancelled at the end of each biennium; (b) Surplus of interest.	To cover shortfalls in Union financing. Withdrawals are provided for from the Fund in advance. To finance the expenses for Congress.	SwF 3.6 million at 31 December 2002	
	Special Activity fund	Postal-related budgetary credits cancelled at the end of each biennium.	To finance postal-related activities.		
	Building Maintenance Fund	(a) Budgetary credits for building maintenance cancelled at the end of each biennium (i. e. rental income); (b) Building-related income; (c) Transfer from Reserve Fund.	To finance building renovation.		
ITU	Reserve Account	The balance of the operating account at the end of each budgetary period and amounts allocated in the budget.	To provide working capital to meet essential expenditure and to maintain sufficient cash reserves to avoid resorting to loans. However, by decision of the Council, withdrawals may be made from the Reserve Account, inter alia, to reduce the amount of the contributory unit to be paid by the member States, to balance the budget of the Union, or to place a limit on the Reserve Account.	The amount is fixed by the Council on the basis of the existing level of the Reserve Account and expected requirements.	ITU has no Working Capital Fund.

Organi-zations	*Title*	*Source of funding*	*Purposes*	*Size/amount*	*Notes*
WMO					The Secretary-General may establish such a reserve to meet specific liabilities resulting from expenditure of a recurring nature which cannot be budgeted. The type and terms of reference of each of the reserve accounts or funds thus established are determined by the Executive Council.
IMO	Exchange Reserve Fund				Although the Exchange Reserve Fund was established in 1977 to cover exchange losses and gains in the amount of US$ 2 million, on 1 January 1988, the Fund was merged into the Working Capital Fund because of its new budget currency (pounds sterling) in the combined amount of £1,250,000.
WIPO	The former Special Reserve Fund for Additional Premises and Computerization has been discontinued as of December 2000. Infrastructure-related project outlays and operational costs are integrated in a single budget presentation.				
UNIDO	Operating Reserve	Operational budget.	Contingencies.	As of 31 December 2001, €3.3 million.	For the regular budget, as part of the introduction of the euro as the sole currency for assessment, budgeting, accounting and reporting, the General Conference authorized the Director-General to establish a reserve, not subject to Financial Regulations 4.2 (b) and 4.2 (c) for the purpose of protecting the organization from exchange rate fluctuations (GC.8/Dec.16), with effect from 1 January 2002.
IAEA	Equipment Replacement Fund	Yearly transfers from the regular budget starting in 2001.	Equipment Replacement Fund for information technology infrastructure, for use in 2005.	$450,000 as of 31 December 2002. Annual contributions are made from the regular budget/savings.	Board approval is required for the establishment of the Equipment Replacement Fund, including the purposes for which the funding is required.

Table 4

Working capital funds

The Working Capital Fund is established by the appropriate legislative organ to finance budgetary appropriations pending receipt of members' contributions and for such other purposes as may be authorized (Consultative Committee on Administrative Questions, glossary definition)

Organizations	*Purposes (references)*	*Sources of funding*	*2002 budget (Thousands of US dollars)*	*Budget/estimates for budgetary period (years) (Thousands of US dollars)*	*Level of Working Capital Fund (Thousands of US dollars)*	*Percentage between level of Working Capital Fund and 2002 budget*	*Percentage between level of Working Capital Fund and budgetary period*
United Nations	(a) To finance budgetary appropriations; (b) To finance unforeseen and extraordinary expenses or other authorized purposes (Financial Regulations 6.2-6.4).	Advances from Member States in accordance with the scale of assessments as determined by the General Assembly.	1 445 409.3	2 890 818.7 (2002-2003)	100 000	6.9	3.5
ILO	(a) To finance budgetary expenditure pending receipt of contributions or other income; (b) In exceptional circumstances and subject to prior authorization of the Governing Board, to provide advances to meet contingencies and emergencies (see table 3) (Financial Regulations 19-21).	The level has been fixed at SwF 35 million by the International Labour Conference (Financial Regulation 19.2).	217 020	434 040 (2002-2003)	21 212 (31 December 2001)	9.77	4.89
FAO	To advance moneys to the General Fund in order (a) to finance budgetary expenditure pending receipt of contributions to the budget; (b) to finance emergency expenditure not provided for in the current budget; (c) to make reimbursable loans for such purposes as the Council may authorize in specific cases (Financial Regulation 6.2 (a)).	Advances from member States in accordance with the scale of contributions; collection of arrears. In addition, any cash surplus on the General Fund may be applied against advances due to the Working Capital Fund.	325 879	651 758 (2002-2003)	25 000	7.67	3.84
UNESCO	(a) To provide advances for financing budgetary appropriations pending receipt of contributions from member States; (b) Other purposes to be determined by the General Conference (Financial Regulations 6.2-6.5).	Advances deposited by member States.	272 183	544 367 (2002-2003)	25 000	9.18	4.59
ICAO	Advances are made: (a) to the General Fund to finance budgetary appropriations pending receipt of contributions from contracting States; (b) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, to a maximum of US$ 100,000; (c) in cases where the Council has approved appropriations under Financial Regulation 5.2 (b), to the relevant special fund created under Financial Regulation 8.4 subject to the limit therein specified (Financial Regulation 7.3).	Advances by contracting States.	55 980	170 906 (2002-2004) (Separate budget for each year)	6 000 (2002-2003)	10.72 (2002)	3.51 (2002-2004)

Organizations	*Purposes (reference)*	*Sources of funding*	*2002 budget (Thousands of US dollars)*	*Budget/estimates for budgetary period (years) (Thousands of US dollars)*	*Level of Working Capital Fund (Thousands of US dollars)*	*Percentage between level of Working Capital Fund and 2002 budget*	*Percentage between level of Working Capital Fund and budgetary period*
WHO	To finance budgetary appropriations pending receipt of contributions (Financial Regulation 6.2).	Amounts of casual income to be transferred to the Working Capital Fund from time to time.	421 327	842 654	31 000	7.36	3.68
UPU	No Working Capital Fund. (However, member countries pay their contributions in advance and this can be considered as the Working Capital Fund. Payment is generally made by 1 January.)	-	-	-	-	-	-
ITU	ITU has no Working Capital Fund (see table 3).						
WMO	Established for an amount fixed by the Congress and for purposes to be determined from time to time by the Executive Council (Financial Regulations 9.3-9.6).	Advances by members.	SwF 126 150 (2002-2003)	SwF 252 300 (2000-2003)	SwF 4 976	3.94	2 of SwF 248 800 000
IMO	(a) To finance budgetary appropriations; and (b) to meet additional expenditure arising from exchange rate movements; (c) for unforeseen and extraordinary expenses or other authorized purposes (Financial Regulations 6.1-6.6; Financial Rule 106.1).	Advances from member States; transfers from the Printing Fund surpluses; transfers from 1982 cash surplus; transfers from Exchange Reserve Fund in 1988 (see table 3).	59 526 (2002-2003)	29 017[a] (2002)	2 828[a]	9.7	4.8
WIPO	The working capital funds shall be used, to the extent possible, to finance expenditure budgeted but not covered by available liquidity (Financial Regulation 7).	Payments made by member States.	SwF 282 929 (2000)	SwF 565 858 (2000-2001)	SwF 8 342[b] as of 12 December 2001	2.9	1.5
UNIDO	To finance (a) budgetary appropriations; (b) unforeseen and extraordinary expenses, excluding expenditure intended to compensate for any loss caused by fluctuation in exchange rates (Financial Regulation 5.4).	Advances.	68 961 (2002)	€137 922 for 2002-2003, gross requested budget appropriations	€7 423	10.76 (2002)	5.38
IAEA	The amount and purposes of the Working Capital Fund are recommended by the Board of Governors to the General Conference (annual resolution) (Financial Regulations 7.04-7.06).	Advances from member States. Increases funded from cash surpluses.	245 107 (2002)	245 107 (2002) 245 875 (2003)	18 000 (2002) 18 000 (2003)	7.439/ 7.239	7.439/ 7.239

[a] Converted with the £/US exchange rate assumption of £1 = $1.41.

[b] This is the overall amount for WIPO as a whole.